

Message Text

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ACTION EUR-25

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TAGS: EFIN, ETRD, YO

SUBJECT: YUGOSLAV ECONOMIC TRENDS: JANUARY/ FEBRUARY 1973

REF: BELGRADE 0921

1. BEGIN SUMMARY. EXPORTS, IMPORTS AND INVISIBLE EARNINGS UP IN FIRST TWO MONTHS. DOMESTIC PRODUCTION, DEMAND AND INVESTMENT GROWTH RATE DOWN. PRICES AND COST OF LIVING UP. YUGOSLAV ECONOMIC FORCASTERS " MODERATELY OPTIMISTIC" AND PREDICT UPTURN IN PRODUCTION IN SECOND QUARTER. UPTURN IN PRODUCTION EXPECTED TO BE EXPORT- LED AS CONSEQUENCE LATEST CONVERTIBLE CURRENCY ADJUSTMENTS AND PROSPECTS ACCLERATED ECONOMIC GROWTH IN WESTERN EUROPE. KEY PROBLEM REMAINS SPIRALLING PRICES AND COST OF LIVING, WHICH GOVERNMENT ATTACKING ON PRIORITY BASIS. END SUMMARY.

2. FEDERAL INSTITUTE FOR STATISTICS DATA FOR FIRST TWO MONTHS 1972 SHOWS ENCOURAGING 15 PERCENT RISE IN EXPORTS OVER FIRST TWO MONTHS 1972. IMPORTS ARE UP 47 PERCENT IN SAME PERIOD.
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PRELIMINARY TRADE DEFICIT JANUARY- FEBRUARY THUS \$277 MILLION (EXPORTS \$363 MILLION/ IMPORTS \$640 MILLION AT 17 ND EQUAL \$1 RATE). ACCORDING TO INSTITUTE RISE IN IMPORTS DUE PRIMARIALLY TO INCREASED PURCHASES OF RAW MATERIALS AND SEMI- FINISHED PRODUCTS WHICH WILL EVENTUALLY BE REFLECTED IN INCREASED PRODUCTION AND EXPORTS. EXPORTS WERE LED BY INDUSTRIAL PRODUCTS -- UP 17 PERCENT -- WITH BEST PERFORMANCE IN METAL INDUSTRY. AGRICULTURAL EXPORTS -- STRONG GROWTH LEADER IN 1972 -- ARE OFF 3 PERCENT FROM FIRST TWO MONTHS 1972.

3. PRELIMINARY FIGURES FOR INVISIBLES (JANUARY ONLY) SHOW IMPROVEMENT. WORKERS' REMITTANCES TOTALLED \$109.4 MILLION, AN INCREASE OF 14 PERCENT OVER JANUARY 1972. TOURISM RECEIPTS WERE UP 21 PERCENT AND TRANSPORTATION EARNINGS UP 15 PERCENT OVER JANUARY 1972 LEVELS.

4. PRODUCTION IN JANUARY ROSE 10 PER CENT OVER JANUARY 1972 LEVELS, BUT IS DOWN 12 PERCENT BY COMPARISON TO DECEMBER 1972 PARTLY BECAUSE OF SEASONAL FACTORS; I. E., SLOWDOWN IN CONSTRUCTION AND TRANSPORTATION, RAW MATERIAL SHORTAGES, AND SLACKENED CONSUMER DEMAND (BELGRADE 0534).

5. LATEST REPORTS OF INSTITUTE MARKET INVESTIGATION/ BELGRADE AND ECONOMIC INSTITUTE/ LJUBLJANA LAW FACULTY EXPRESS " MODERATE OPTIMISM" WITH IMI PREDICTING UPTURN IN INDUSTRIAL PRODUCTION IN SECOND QUARTER. UPTURN IS EXPECTED TO BE EXPORT- LED AS RESULT OF LATEST ROUND OF CONVERTIBLE CURRENCY ADJUSTMENTS AND ON FORECASTS OF ACCELERATED ECONOMIC GROWTH IN WESTERN EUROPE.

6. IN CRUCIAL PRICE SECTOR, RETAIL PRICES IN JANUARY 1973 WERE UP 16 PERCENT OVER JANUARY 1972 AND WERE 2 PERCENT GREATER THAN DECEMBER 1972. PRELIMINARY DATA FOR FEBRUARY INDICATE FURTHER RETAIL PRICE INCREASE OF 2 PERCENT OVER JANUARY. RETAIL PRICES FOR FEBRUARY SHOW INCREASES AS FOLLOWS COMPARED LEVEL PREVAILING DECEMBER 1972: INDUSTRIAL PRODUCTS PLUS 3 PERCENT, AGRICULTURAL PRODUCTS PLUS 9 PERCENT, SERVICES PLUS 3 PERCENT. COST OF LIVING ROSE 1 PERCENT IN JANUARY, 3 PERCENT IN FEBRUARY AND WAS 21 PERCENT HIGHER THAN IN FEBRUARY 1972.

7. TOTAL 1972 INVESTMENTS ROSE 18 PERCENT OVER 1971 LEVEL.
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MONTHLY INVESTMENT FIGURES FOR 1972 SHOW TENDENCY FOR SLOWDOWN

IN

RATE OF GROWTH IN LATTER PART OF 1972 AS INDICATED BY FOLLOWING
FIGURES (IN BILLION NEW DINARS): JAN - 2.7;
FEB - 2.9; MAR - 3.0; APR - 4.8; MAY - 3.5; JUN - 4.2;
JUL - 3.6; AUG - 4.0; SEP - 3.9; OCT - 4.0; NOV - 4.0 AND DEC -

8.2. OUTSIZE DECEMBER FIGURE IS RESULT OF SUBMISSION OF PREVIOUSLY
UNREPORTED END- OF- YEAR ACCOUNTS ON INVESTMENT PROJECTS
AS REQUIRED BY SOCIAL ACCOUNTING SERVICE.

8. EMPLOYMENT IN JANUARY ROSE 4 PERCENT OVER JANUARY 1972 LEVEL,
BUT REMAINED VIRTUALLY CONSTANT WITH DECEMBER 1972 LEVEL
(4,244,000 AGAINST 4,238,000). OVERALL YUGOSLAV- WIDE
UNEMPLOYMENT RATE STOOD AT 8 PERCENT IN DECEMBER 1972.
FIGURE MASKS WIDE DISPARITY IN UNEMPLOYMENT RATES, RANGING
FROM 2.4 PERCENT IN SLOVENIA TO 20.7 PERCENT IN MACEDONIA.

9. COMMENT: ALTHOUGH SEASONAL FACTORS CLOUD OUTLOOK TO SOME
EXTENT, ON POSITIVE SIDE IT APPEARS THAT GOY HAS PUT BRAKES
TO INVESTMENT GROWTH RATE AND DEMAND FORMATION. ALTHOUGH
IMPORTS WILL BE HIBHER THIS YEAR THAN LAST, LATEST CURRENCY
REALIGNMENT SHOULD HELP EXPORTS. INVISIBLE RECEIPTS ARE UP
ACROSS- THE- BOARD AND CURRENT ESTIMATE IS FOR INCREASED FOREIGN
TOURISM AND LESS DOMESTIC TOURISM IN 1973. PRIORITY GOY
EFFORT AT MOMENT IS TO REDUCE PRICE INCREASES AND COST OF
LIVING SPIRAL. GOVERNMENT FROZE PRICES AT
EXISTING LEVELS ON FEBRUARY 15 (BELGRADE 0675). EARLY
FEBRUARY INCREASES IN MEAT PRICES (BELGRADE
A-62) HAVE BEEN ROLLED BACK BY CABINET DECISION MARCH 16 TO
AN AVERAGE 10.5 PERCENT INCREASE. FIRST INDICATIONS WHETHER
LINE IS BEING HELD ON PRICES SHOULD SHOW UP IN MARCH FIGURES.
TOON

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